From: Glenn Buddin [mailto:gbuddin@brbwal.com]
Sent: Tuesday, October 16, 2012 3:45 PM
To: Comments
Cc: fred@scbankers.org; Joann Bryson; 'Danielle Leeper'; 'Bob Baltzer'; 'Eva McGowan'; 'Carrie Casali'
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

October 16, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Dear Mr. Feldman,

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

The Blue Ridge Bank (the "bank") is a state charted commercial bank that has been serving the residents and businesses in Oconee County, South Carolina since 1957. Our bank is one of the last of a dying breed of true community banks throughout the state and indeed the country. We are relatively small with an asset size of just over $100M. All of our deposits are local and all of the loans that we originate are put on our books. We have never sold loans from the portfolio and do not so anticipate. Over 90% of our loan portfolio is real estate based, of which the vast majority are 1-4 family residential.

I am deeply concerned about the prospects of our community bank if these capital standards are adopted as proposed. We have two major concerns that we think will negatively impact our institutions ability to service our local community, which are as follows: 1) Allowing unrealized gains (losses) to directly flow through tier 1 capital and 2) Requiring risk weighting of all loans.

Allowing unrealized gains(losses) to flow through tier 1 capital could put downward pressure on the bank's capital levels, potentially causing us to reduce the growth of or shrink our securities portfolios considerably to maintain capital ratios at desired or required levels. For instance, the bank currently has a securities portfolio of approximately $31M, comprised primarily of 5 to 15 year mortgage backed securities. We are currently enjoying a large unrealized gain in the portfolio of about $1M due to the depressed interest rate environment. However, in all likelihood, interest rates will begin to rise over the next few years, which will erode this gain if not eliminate it altogether.

If this proposal is adopted, the bank could be forced to implement a more conservative and short term strategy to the securities portfolio. This could have a potential to decrease the banks earnings and would decrease the amount of funding for the housing market and national and local governments. The proposed rule should be revised so that unrealized gains and losses on AFS securities that reside in accumulated other comprehensive income do not flow through capital. This would allow unrealized losses due to credit impairment to be reflected in capital, but would exclude the interest rate impact.

We are also concerned about the additional negative financial impact to the bank if we are required to risk weight our loan portfolio. As has been previously stated, we are a small community bank with limited financial and human resources. This requirement would force us to either purchase a computer module to compile the data for call reporting purposes or we would have to contract the task out to an accounting firm. Both options would come at a considerable cost. We believe the classifications that already exist in the call report are sufficient to determine the risk our bank's loan portfolio posses to the financial system, given our size and complexity.

In conclusion, we are advocating that all community banks be exempt from the proposed rules, or at the very least, modify the rules as stated above. We agree that steps should be taken to shore up the banking industry after the collapse of 2008. However, it is important to recognize that the financial and non-financial institutions that created this situation are not the vast majority of community banks that are continuing to help support the economic recovery and the FDIC insurance fund. The regulatory burden created by the Frank-Dodd bill and other ongoing regulatory efforts are already threatening the very existence of community banks. We do not believe it is necessary to impose these new capital rules on our bank at a time in which we are trying to help our community survive and hopefully thrive.

Thank you,

Glenn D. Buddin, Jr.
Chief Executive Officer

Blue Ridge Bank
118 Bountyland Road
Seneca SC 29678
Office: 864.888.2298
Fax: 864.888.2417
www.BRBWal.com